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September 1, 2000

Ms. Magalie R. Salas, Secretary
Federal Communications Commission
445 12th Street S.W., TW-A325
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte Notice: CC Docket Nos. 96-262, 94-1, 99-249, 96-45

Dear Ms. Salas:

On Thursday, August 31, 2000, L. Marie Guillory of the National Telephone Cooperative Association, Margot S. Humphrey of Holland and Knight, LLP, representing the National Rural Telecom Association (NRTA), David Cohen of United States Telecom Association, John Rose of OPASTCO, Jeff Reynolds of ALLTEL, Robert Debroux of TDS, Tim Dupic of Golden West Telephone, and William F. Maher of Halprin, Temple, Goodman & Maher met with Carol E. Matthey, Deputy Bureau Chief of Common Carrier Bureau, Jane E. Jackson, Chief Competitive Pricing Division, Katherine Schroder, Deputy Chief and Sharon Webber, Deputy Chief of Accounting Policy Division, and Jack Zinman, Attorney of the Common Carrier Bureau. In that meeting we discussed the Multi-Association Group (MAG) holistic plan (see attachments).

In accordance with the FCC's rules, I am submitting two copies of this letter and the outline distributed at the meeting. If you have any questions, please do not hesitate to contact me.

Sincerely,

L. Marie Guillory
L. Marie Guillory
Vice President, Legal & Industry

LMG:rhb

Attachments

cc: Carol E. Matthey
Jane E. Jackson
Katherine Schroder
Sharon Webber
Jack Zinman

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MAG PLAN HIGHLIGHTS

This plan responds to Chairman Kennard's challenge to develop a "holistic" plan for ROR ILECs' that would resolve pending universal service, access charge, separations and rate of return proceedings, move the majority of the nation's rate of return access lines from ROR to incentive regulation and follow the intent of Congress. Under this flexible transition plan, companies could elect to transition to incentive regulation over a period of up to five years (Path A) or to remain on rate of return regulation with interstate access charge reform and a five-year option to elect incentive regulation in progress (Path B).

Access Reform

- ❑ Prescribes transition for Path A and Path B ROR ILECs to Price Cap SLC caps that track the CALLS companies' transition.
- ❑ For Path A NECA pool members, lowers usage-based Carrier Access Rates (CAR) to prescribed \$0.016 composite average level. Path B ILECs would also see access charge reductions.
- ❑ For Path A study areas, prescribes NECA incentive pooling settlements based on frozen pre-incentive plan ROR revenues per line adjusted annually for inflation and recovers the Path A pool members' residual revenue requirement (beyond the prescribed SLC and access revenues) through Rate Averaging Support (RAS) collected on the same basis as existing universal service support.
- ❑ Requires IXCs to pass through access savings in lower long distance charges, eliminate minimum long distance charges and PICCs and to comply fully with the statutory geographic toll rate averaging mandate, including nationwide availability of optional calling plans.
- ❑ For Path A ILECs that leave NECA pools in return for greater pricing flexibility, prescribes parallel SLCs and initial CAR levels, but does not permit RAS.
- ❑ Assumes adoption of Joint Board recommendation on separations freeze.

Incentive Regulation –Path A

- ❑ Allows each study area up to a 5-year transition period to settle with NECA pools under current cost-based ROR or average schedule formulas, current universal service provisions and frozen 11.25 % authorized ROR. Then, frozen-revenue-per-line incentive-based regulation and frozen universal service support per line basis become mandatory for Path A carriers.
- ❑ Permits a Low End Adjustment Formula (LEAF) showing for Path A study areas that would bring returns up to 50 basis points below the 11.25% frozen ROR for incentive carriers with five or fewer study areas and up to 100 basis points below for other incentive plan carriers.

Universal Service Reform

- ❑ For Path A and Path B carriers, immediately removes "interim" cap on high cost loop support and disaggregates support per line into up to three zones per wire center.
- ❑ For Path A carriers, moving to incentive regulation establishes study area universal service support flows at current levels per line, subject to annual inflation adjustments and sufficient additional frozen support when the definition of supported services evolves.

MAG PLAN BENEFITS

Consumer Rates – Congress intends its universal service principles to provide rural and urban consumers affordable, reasonably comparable rates and reasonably comparable availability of all services, including interexchange, advanced and information services, and mandates geographic toll rate averaging.

- ❑ MAG insures that SLCs for rural customers in ROR companies' service areas do not exceed the "reasonably comparable" level by establishing rural SLC levels at CALLS SLC caps, as long as they are reasonably comparable.
- ❑ Reduces toll rates for all customers by requiring IXCs to pass through substantial access savings and limiting RAS to eligible telecommunications carriers (ETCs) that provide equal access for all IXCs and customers. This will encourage competition among interexchange carriers in less competitive rural markets and flows the savings through to rural customers in lower long distance rates.
- ❑ Requires IXCs to charge geographically averaged toll rates and make optional calling plans available to rural customers and substantially narrows the disparities between access charges of PC and ROR ILECs that now drive IXC efforts to deaverage, reduce rural service and limit optional calling plan availability.
- ❑ Reflects CALLS-plan elimination of millions of dollars in PICC charges imposed by IXCs on ROR ILEC customers although ROR companies were never subject to PICCs and elimination of "low volume" minimum toll charges from rural ILEC customers' telephone bills.
- ❑ Removes arbitrary caps that withhold necessary and sufficient high cost support to keep rates affordable and allow needed investment.
- ❑ Increases Lifeline support for low-income customers per CALLS plan.

Consumer Services – Congress intends broadband capabilities and advanced services to benefit rural areas.

- ❑ Provides stable and predictable revenues for incentive regulation carriers and support for all carriers to encourage deployment of new network capabilities and services.
- ❑ Alleviates obstacles to rural network investment caused by today's regulatory uncertainties and unfunded mandates.

Efficiency Benefits

- ❑ Encourages Path A carriers to control costs through incentive-based frozen revenue per line access and support levels.
- ❑ Moves recovery of non-traffic sensitive costs towards flat rate basis for all rate of return carriers.
- ❑ Fairly allocates the costs of originating and terminating interstate long distance services.
- ❑ Reduces the need for costly and burdensome cost studies, while maintaining pooling.
- ❑ Lessens regulatory costs by providing a comprehensive resolution of issues and phase-out of ROR regulation for the majority of access lines now under rate of return regulation.

- ❑ Encourages Path B companies to move to incentive regulation within a reasonable time, since they have a five year window to elect without seeking a waiver from the FCC.
- ❑ Gives the Commission a reasonable time to study the effect of continued rate of return regulation in rural areas.
- ❑ Recognizes the broad diversity of ROR study areas.

MAG Plan

